Sociocracy (Dynamic Governance)
for
Not-For-Profit Organizations

(review draft)

Supplement to "The Creative Forces of Self-Organization"
by
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This article supplements the monograph titled "The Creative Forces of Self-Organization." It explains in more depth how the principles of sociocracy apply to not-for-profit organizations. It is another step our on-going process of developing ways to explain sociocracy in simple, easy to understand terms. We would appreciate your support in this improvement process: please send your comments on both the monograph and this supplement to Contact@GovernanceAlive.

Underlying Similarities

What is the legal difference between a traditional not-for-profit organization and a for-profit one? There are many legal forms of both and, yet, in the end there is really, not so much difference. For example, both must, over time, take in enough money to break even at the least – or they go out of business. Both, therefore, seek to take in more money than they spend. The main legal difference then is the question of ownership. The owner(s) can take money (dividends) from a for-profit company or sell the company. In contrast, the leadership (board) of a not-for-profit organization is a kind of guardian for the organization. As the Self-Organization monograph described, a sociocratic organization fuses both kinds of organization. It is a "new kind of beast," one that is neither owned nor a "less than competent entity requiring a guardian or trustee" – a free and mature organization that owns itself – just as you or I own ourselves. On April 13, 2010, Maryland became the first state in the country to establish a Benefit Corporation, a new legal form that is very close to the sociocratic concept.[1]

Underlying Differences

On the other hand, at the operational level ownership or the lack of it makes a big difference in two key areas:

- Use of volunteers.
- Complex client relationships.

These differences make not-for-profits more challenging to manage than a for-profit

company. Sociocracy suggests special strategies for addressing those challenges.

Strategies for managing volunteers

People typically do not volunteer for a for profit company because they don't want to work for free to enrich someone else. However, they will donate their time to a not-for-profit organization. Volunteers are thus a kind of investor. They invest their time and skills to support the social purpose of the not-for-profit. Like a traditional investor, they expect a dividend – but not in the form of money. Herein lies the key to managing volunteers.

For example, a large not-for-profit that provides certification standards, educates, and advocates for environmentally green practices found it challenging to keep its volunteers engaged and happy. We encouraged each chapter around the USA to:

- Define the volunteers' jobs carefully
- "Hire" the volunteers to perform those jobs and be specific in the job interview what the volunteers would get in return for their work.

The primary "wages" of a volunteer is the satisfaction of making a meaningful contribution, which is why it is so critical to define their jobs with clear, recognizable outputs. It is important to "pay" the volunteers with frequent performance reviews that articulate their accomplishments. Recognition of accomplishments in the form of, say, mention in a news letter, letters of reference for paying jobs, ice cream socials, etc., are a kind of secondary exchange (payment) for work performed. Many of the environmental organization's chapters saw a significant improvement in the numbers of members who began participating as volunteers and an accompanying reduction in burnout among the core volunteers who had typically been doing all the work.

Another example of the importance of organizing volunteers' work: the visitor program for a large, rather radical

intentional community achieved "corporate-like" efficiency when the members of the visitor program team started holding circle meetings every three weeks after each batch of visitors had left. They analyzed what had gone well, what could be improved for the next batch of visitors, and carefully documented their procedures and policies. As the program improved, the team's morale rose and the team hung together, in contrast to the oft volatile conditions of other program committees in the intentional community.

A citywide community dance organization had a similar experience with a concerted effort to define their volunteers' jobs. As they adopted a sociocratic structure, they reorganized into clearly defined committees. They created a "career path" for volunteers who helped program the music and organize the dance venues. Over time, the core organizers felt more relaxed as more hands appeared to do the work.

As we write this article, recent occupy movements have swept the land. They are yet another example of the importance of carefully articulation of volunteer roles. We wish these movements well and wish, too, that all the participants could read Thomas D. Seeley's *Honeybee Democracy*[2] to learn about the importance of delegation of duties, an important sociocratic pattern. Seeley shows in scientific detail how a swarm of thousands of honeybees is able to decide how to move itself to a new hive, often many kilometers away. Rather than a single leader, there is a collective decision making process by one or two hundred of the older worker bees. It is tempting to compare the occupy sites to such a swarm of bees; however, to date, the occupy sites seem reluctant to delegate decision-making tasks to representatives they select to do work they define.

Strategy for managing complex client relationships

In a typical business, clients come in the figurative door, buy a product or service and then leave. Relationships may be warm, but the boundaries between who is "us" the

people meeting the client's needs and "them" the clients is clear. Furthermore, if the client is unhappy the feedback is fairly direct. For example, the clients complain or demand their money back or stop returning to do further business.

A not-for-profit, however, typically receives payments to provide a service to someone other than the persons making the payments. For example, a private school provides educational services to its students but receives payment not the students but from families and perhaps donors and foundations. So, who is the client? The answer is that the students, families, and donors are all clients. Each service given to a student is also a service to the families and the donors, and the school must handle each of these "three-in-one clients" differently.

The sociocratic strategy suggests organizing these stakeholders to create a sociocratic environment. **Figure 1** (included at the end of this article) provides a circle diagram for a sociocratic school for ages K-12. It shows that the parents are organized into a circle structure whose aim is to help the parents create home environments that support their children's education and provide a forum for parents to express their views and feedback about the school. The director and elected representative from the school's "general circle" attend the parents' "general circle" as full participants. The parents' general circle elects one or more representatives to the school's board (top circle). In this way the school is double-linked with the parents, who are a major source of its funding. In essence, the school treats the parents the way investors would be treated in a for-profit corporation. Schools that have significant income from donors can create a similar circle structure for the donors so that there is an orderly way for them to appoint or delegate a representative to the school top circle.

There is much more that could be said about this diagram of a sociocratic school, for example, how students are incorporated into individual circles consisting of parent, teacher, and student or how students

participate with their teachers in classroom circles. However, the main point here is the lesson: treat your complex client like a corporation treats its stockholders. Even if you can't organize, say, the foundation that gave you a grant, exceed the foundation's expectations. If they want an annual report, send them interim information twice a year in addition to the annual report and invite them to visit.

Strategy for managing yourself as client

The most difficult client is structure is you serving yourself. For example, a cohousing community is a collection of people who organize to provide services to their community, i.e., themselves. It can be hard for members to recognize which role they are playing, and role confusion leads to communication and governance difficulties. This self-as-client challenge means that organizations such as cohousing communities are among the most difficult organizations to manage.

It is important for such communities to emphasize the distinction between "community association" that provides services and the community itself. If members wearing their "member of the community hat" try to participate in community association decision-making, many difficulties and hard feelings can arise. Sociocratically run cohousing communities will typically have a formal circle structure, including general circle and top circle (board), to steer the operations of the community association. This circle structure makes policy decisions for the community. There are also whole-community gatherings for meals, for events and celebrations, and for simple sharing about how everyone is feeling about a particular topic or the community in general. Those community-wide gatherings don't make decisions because they are gatherings of "clients." The community association in contrast is organized around the operation of systems that provide services to the community.

Because the community is its own customer, one source of outside stimulation is missing from a cohousing community, viz, external customers. Any closed system typically deteriorates (by analogy to the second law of thermodynamics). A deteriorating social system is marked by anger and bickering. It is important, therefore, for a cohousing community to keep itself open. For example, can the community association incubate community-run businesses that sell to outside customers? More important is the community association top circle (board). It is important for that board to contain not just community residents but supportive external members chosen for their expertise. The experts should not be advisors but rather full members of the board able to raise paramount objections because they must be a source of real outside influence.

In one cohousing community that was gradually adopting a sociocratic structure, some members were very resistant to this external member idea, asking, "Why do we need outsiders to tell us how to live together?" Finally, they decided to give the idea a try. After the first meeting they were very grateful. The outside experts brought in valuable information about fiscal management and political winds in the county government. Furthermore, one of the earlier skeptics remarked, "It was like having guests in the house. We had to behave ourselves." That "we have to behave" feeling is an indicator that outside power was entering the structure. It is amazing how that impulse to respect each other can quickly radiate from the board to the rest of the community.

Conclusion

All of the principles of sociocracy articulated in the Creative Forces monograph apply equally to profit and not-for-profit organizations. However, not-for-profit organizations face such challenges as volunteer management, complex clients, and self-as-client structures. These challenges can make them more difficult to manage than for-profit organizations. Not-for-profits can thrive if they are mindful about how they "pay" their volunteers, treat their "indirect" clients like investors, and

make it a high priority to stay open to their environments.

As the number of sociocratic organizations increases, it will become possible network them together and eventually operate whole districts or towns sociocratically. Modern culture understands somewhat how to create business networks. Organizations like

Rotary or Lions Club or Chamber of Commerce are examples. However, it seems harder to network organizations that provide social services, charities, schools, churches, social clubs, environmental groups, etc. Understanding how to apply sociocratic principles to not-for-profits may make them stronger and more open to connection and collective action.

[1] http://www.nonprofitlawblog.com/home/2010/05/marylands-benefit-corporation.html

[2] Seeley, Thomas D, *Honeybee Democracy,* Princeton University Press, 2010.
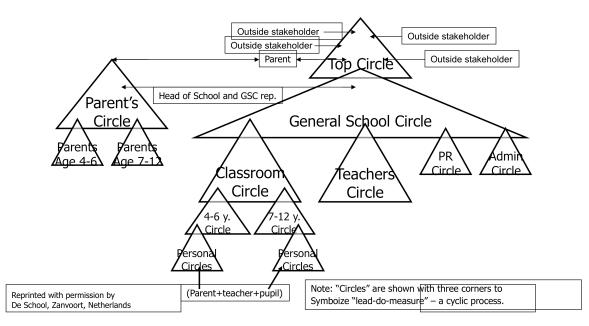
Figure 1 – Circle Structure for a School with the "Parents Environment" Organized Sociocratically

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(Parent+teacher+pupil)

Note: "Circles" are shown with three corners to Symboize "lead-do-measure" – a cyclic process.